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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Procurement reform

Report of the Secretary-General

SUMMARY

The present report is submitted to the General Assembly pursuant to its resolution 51/231 of 13 June 1997.

The report provides information about the procurement reform process and details with respect to the actions already taken, or in progress, regarding implementation of the reform measures, as well as on the implementation of or response to the recommendations, decisions, suggestions and concerns expressed by the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors and the Office of Internal Oversight Services, including the internal auditors, as well as the High-level Expert Procurement Group.

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I. INTRODUCTION

1. The present report is submitted to the General Assembly pursuant to its resolution 51/231 of 13 June 1997 and provides information on the progress achieved since the previous report, submitted to the Assembly on 29 November 1996 (A/C.5/51/9). It also provides information on the implementation of and or response to the recommendations, decisions, suggestions and concerns expressed by the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Office of Internal Oversight Services, including the internal auditors, as well as the High-level Expert Procurement Group, for which the Secretary-General wishes to express his sincere appreciation.

2. In addition to the report submitted in November 1996, progress reports on the implementation of procurement reform in the United Nations Secretariat were submitted to the General Assembly on 22 June 1995 (A/C.5/49/67), 10 November 1995 (A/C.5/50/13) and 9 February 1996 (A/C.5/50/13/Rev.1).

II. ORGANIZATION AND STRUCTURE

3. Effective July 1997, the Transportation Section, including the Travel and Traffic Units, of the Procurement and Transportation Division was established as a separate service, the Travel and Transportation Service, reporting directly to the Assistant Secretary-General for Central Support Services. Accordingly, the Procurement and Transportation Division has been renamed the Procurement Division, which reflects more appropriately the responsibilities of the Division. The structure and organization of the Division are illustrated in annex I to the present report, subject to any modifications which may be required (see para. 7 below).

4. It may be recalled that in the previous report of the Secretary-General (A/C.5/51/9, para. 3) it was stated that the implementation of certain reform measures, such as the integration of procurement activities at Headquarters, which was recommended by the Advisory Committee (A/50/7/Add.13, paras. 4 and 13), were pending, awaiting the outcome of the overall review of the procurement functions.

5. In a letter dated 17 March 1997 addressed to the President of the General Assembly (A/51/829), the Secretary-General informed him of his decision "to initiate a close examination of existing arrangements throughout the Organization with a view to extending common services wherever this can result in more effective services, including the possible establishment of a common services facility". The Secretary-General elaborated further on his decision to expand and strengthen common services in his report to the Assembly in July 1997, entitled "Renewing the United Nations: a programme for reform" (A/51/950, paras. 242 and 243).

6. Pursuant to the above decision, the Task Force on Common Services was established in May 1997. One of the 11 working groups created by the Task Force is the Working Group on Procurement, which is to review overall procurement

functions within the United Nations Secretariat as well as in the funds and programmes of the United Nations system. The Working Group has been meeting on a regular basis.

7. Pursuant to the recommendation of the Advisory Committee and the General Assembly (resolution 51/231, para. 30), the Secretary-General has decided, effective 1 November 1997, to consolidate within the Procurement Division the relevant functions of the Contracts and Procurement Office of the former Department for Development Support and Management Services. Details of the organizational arrangements, as appropriate, are currently under consideration.

III. STAFF RESOURCES AND WORKLOAD

8. The overall level of staff resources in the proposed programme budget for the biennium 1998-1999 available to handle procurement work within the Procurement Division is as follows: 29 posts at the Professional level (11 under the regular budget and 18 under the support account for peacekeeping) and 37 posts in the General Service category (26 under the regular budget and 11 under the support account). It should be noted that in assisting staff at the Professional level, several General Service staff members are delegated limited authority to perform essential functions in all aspects of procurement and support services. In addition, the Division has been benefiting from the expertise of seconded personnel made available at no cost to the Organization, one each from France, Ireland, Norway, Spain and the United States of America. It may be noted that the General Assembly will revert to the question of officers on loan from their Governments during its consideration of the report of the Secretary-General on gratis personnel (resolution 51/231, para. 10). All vacancies within the Division as a result of transfers or resignations have been advertised internally and externally and are in the process of being filled as quickly as possible.

9. The Secretary-General shares the concerns of Member States that adequate staff resources should be provided to the Procurement Division. However, the overall budgetary constraints imposed on the Secretariat have naturally also affected the resources available to the Division as well as other departments and offices, such as the Department of Peacekeeping Operations and the Office of Legal Affairs, which are intimately involved in the procurement process. However, with a reduction in the volume of procurement activities, coupled with the increased delegation of authority referred to in section VI of the present report, the Secretary-General is of the view that the staff resources for the Division reflected in the proposed programme budget for 1998-1999 are adequate. What is essential now is to intensify further the training and the enhancement of the professional quality of staff resources available to the Division, as discussed in section IV below.

10. Accordingly, the Secretary-General reiterates that the establishment of the post of Director of the Procurement Division (through reclassification of the existing D-1 post within the Division to D-2), in order to provide the appropriate level of executive direction and management, remains critical to the success of the reforms. Should the General Assembly approve the reclassification of the post, it is the intention of the Secretary-General to

advertise the post, both internally and externally, in order to ensure the appointment of a Director with the best qualifications and track record to direct and manage the Division. Accordingly, the Secretary-General welcomes the decision of the Assembly to revert to the question of the structure of the Division and the request for the D-2 post during its consideration of the proposed programme budget for the biennium 1998-1999 (resolution 51/231, para. 8). The Secretary-General requests the Assembly to take decisive action on this question, as it has been postponed far too long, much to the detriment of the effective functioning of the Division.

IV. TRAINING FOR PROCUREMENT

11. The General Assembly requested the Secretary-General to develop an intensified training programme for all procurement personnel of the Secretariat and all its offices, including field offices of peacekeeping operations, to develop the capacity to dispatch in a timely manner qualified and trained procurement personnel to new or expanded missions and to report to the Assembly at its fifty-second session on measures taken to enhance the training programme (resolution 51/231, para. 31).

12. The Secretary-General welcomes the emphasis of the General Assembly on the need to develop an intensified training programme and has already taken the necessary steps to intensify further the training of the staff members concerned. As reported in the previous report to the Assembly (A/C.5/51/9, para. 7), all procurement officers have attended and continue to attend, in addition to the joint training programme offered by the United Nations Office for Project Services in conjunction with George Washington University's Government Contracts Programme, procurement conferences, seminars and exhibitions to enhance their knowledge of and familiarity with the products and services available in local and international markets. This has been found to be most useful also for the purpose of expanding the base of the supplier roster, which is discussed in section V below. The Procurement Division is currently consulting with the Office of Human Resources Management to organize training programmes on contract negotiations and on ethics in procurement.

13. In 1997 the Procurement Division has cooperated fully with the Office of Human Resources Management and the Department of Peacekeeping Operations to provide training for two months to four procurement officers selected for peacekeeping missions. A fifth procurement officer, from the Economic Commission for Africa, has also recently completed a training programme with the Division. The Division also participated in the training programmes organized by the Office of Human Resources Management and the Department of Peacekeeping Operations, including in the development of the curriculum, for staff members selected to serve in peacekeeping and other field missions as chiefs of administration, senior administrative officers and procurement, finance and legal officers. The senior managers of the Division and the Chairman of the Headquarters Committee on Contracts gave briefings on policies, procedures and practices in procurement. Furthermore, staff members appointed to serve as chief administrative officers or as chiefs of procurement in peacekeeping and other field missions are briefed on procurement by the Division, as requested by

the Department of Peacekeeping Operations, prior to their departure for their assignments in the field.

14. With reference to the request of the General Assembly concerning the procurement manual (resolution 51/231, para. 33), it should be noted that the draft of the new manual is currently being finalized, taking into account particularly the comments made by the Office of Legal Affairs, the Office of Internal Oversight Services and the Department of Peacekeeping Operations. The target date for its publication is during the first quarter of 1998. (Other target dates for the work plan of the Procurement Division are provided in annex II.) The new manual is an updated version of the existing manual issued in 1985 and revised in 1994, taking fully into account the procurement reform policies, procedures and instructions, some of which will require revisions of the Financial Regulations and Rules of the United Nations. Although not yet published, the provisions contained in the new manual, in particular those on delegation of authority, the procedures for the Headquarters Committee on Contracts and local committees on contracts and ex post facto cases, among others, are being implemented at Headquarters. In addition, a number of the provisions are already being applied, as appropriate, in peacekeeping missions and offices away from Headquarters. The new manual will be distributed to all concerned, including those in the field, and the necessary training will be provided.

15. It should be emphasized, however, that it is essential that the Procurement Division have at least the minimum of staff resources if it is to dispatch expeditiously qualified, trained procurement officers to missions or to offices away from Headquarters, including new or expanded missions, which require urgent assistance. While it was intended to rotate staff members of the Division to the field, it is regrettable to note that owing to the difficulties experienced with staffing, including unexpected vacancies, the only field mission to which staff from the Division have been rotated to serve has been the United Nations Support Mission in Haiti.

V. SUPPLIER ROSTER

16. The Secretary-General is fully committed and has spared no effort to establish a supplier roster on as wide a geographical basis as possible, as emphasized by the General Assembly, the Advisory Committee, the Board of Auditors and the Office of Internal Oversight Services. Since November 1996, the number of registered suppliers has increased from 1,550 to almost 3,000 as of September 1997. Pursuant to the request of the General Assembly (resolution 51/231, para. 25), the revised list of suppliers on the roster, including their country of origin or where they are registered, is provided in annex III.

17. The Secretary-General welcomes the invitation to Member States by the General Assembly (resolution 51/231, para. 24) to encourage their national suppliers to be registered in the supplier roster. Concerted efforts are being made, with the assistance of permanent and observer missions to the United Nations, to widen the geographical base of the supplier roster. Furthermore, efforts are being made to identify potential vendors in developing countries and in countries with economies in transition, and to increase the representation

from those countries in the bidding for and award of contracts, as called for by the Assembly (resolution 51/231, para. 26). Details of the efforts to develop a supplier roster with as wide a geographical base as possible, including the revised policy and procedures pertaining to supplier prequalification and registration, the revised policy guidelines on supplier evaluation and selection, advertising tenders and bid opening procedures, were provided in the previous report on procurement (A/C.5/51/9, paras. 18-27). In August 1997, the Division wrote to all permanent and observer missions as a follow-up to a similar letter in March 1997, seeking their assistance in disseminating information in their respective countries on how suppliers can be registered on the supplier roster. Arrangements are under way to authorize United Nations information centres and United Nations Development Programme (UNDP) country offices to serve as contact points for suppliers to receive application forms for the supplier roster.

18. The Secretary-General is pleased to note that an increasing number of representatives from permanent and observer missions, consulates and trade commissions have been visiting the Procurement Division more frequently in order to introduce representatives of suppliers from their respective countries, to enquire about supplier registration procedures and to learn about the opportunities for doing business with the United Nations. Such opportunities also allow the procurement officers to familiarize themselves with market and industry trends.

19. The Procurement Division has also intensified its efforts to initiate, with the assistance of the permanent and observer missions, consulates and trade commissions located in New York, arrangements to brief groups of company and industry representatives on how to do business with the United Nations. This has been very useful, particularly to suppliers from overseas, as the Division's staff, owing to budgetary constraints, are not able to travel away from Headquarters unless invited by Governments or organizations at no cost to the United Nations. When invited, the Division has been represented at gatherings of suppliers abroad.

20. During 1997 the Procurement Division has participated in more than 10 business seminars and conferences organized by various Member States, either in New York or in their respective countries.

21. Home page. As at 15 July 1997, the Procurement Division has had a home page on the Internet through which information on the supplier application forms can be obtained electronically. The Internet address is www.un.org/depts/ptd. Contract awards will be announced on the home page in addition to the existing practice of publishing them in Procurement Update, a publication of the Inter-Agency Procurement Services Office. On a trial basis, a number of forthcoming contracts valued at over $200,000 - the threshold for review by the Headquarters Committee on Contracts - as recommended by the Board of Auditors, will be announced on the home page, subject to time constraints. The Division has also been contacting potential suppliers identified through research, utilizing publications such as trade directories, professional journals, catalogues and product publications.

22. The supplier roster is made available to all peacekeeping missions, offices away from Headquarters and the international criminal tribunals, as well as the Inter-Agency Procurement Services Office. The latter makes the roster available to all procurement offices in the United Nations system.

23. The Secretary-General believes that the intensification of the above efforts will increase further the number of registered suppliers and improve the cost-effectiveness of the procurement process. From January to July 1997, the total volume of procurement at Headquarters considered by the Headquarters Committee on Contracts amounted to $172,142,382, of which $124,689,171, or 72.43 per cent, was obtained through competitive bidding (for details see annex VIII). The remaining $47,453,211, or 27.57 per cent, was obtained through authorized exceptions to competitive bidding under the Financial Regulations and Rules of the United Nations, such as exigencies, requirements below the bidding threshold of $25,000, proprietary items and prices fixed by legislation. It may therefore be noted that most of the requirements of the United Nations are obtained through competitive bidding, and that those that are obtained otherwise are authorized by the Financial Regulations and Rules and subject to a full written justification.

24. Exigency needs. The Secretary-General agrees with the Advisory Committee that a sharper definition of "exigency" needs should be provided (A/51/7/Add.3, para. 17), as called for in General assembly resolution 49/216 C. Considerable progress has been made to ensure that when exigency provisions are invoked, they do indeed come credibly within the exception. Additional efforts are being made to refine further and to prepare a list of exigency situations, although the list can never be exhaustive, as recommended by the Advisory Committee (A/51/533, para. 55) and the Board of Auditors. The elaborated list of exigencies should be ready by March 1998. It should be noted that the nature of the exigency when invoked is documented in order to provide the necessary evidence to support the decision and to serve as a trail for verification and review.

25. Letters of assist. Steps are also being taken to tighten further the administration of letters of assist in full compliance with the Organization's rules and procedures, as called for by the Advisory Committee (A/51/533, paras. 52 and 53) and the Board of Auditors (A/51/488/Add.1, paras. 6 and 7). Revised guidelines for the administration of letters of assist should be ready by March 1998.

26. As a rule, the use of suppliers recommended by requisitioners or substantive offices is not permitted. However, in certain cases, such as those concerning specialized studies, legal services, training, proprietary items, medical services and so on, which are unique or require special expertise or international renown of the vendor, exceptions may be considered upon written justification. Furthermore, consultants who are engaged to prepare specifications or to assist in the evaluation of proposals are not allowed to recommend vendors for invitations to bid and are themselves never permitted to submit bids, as such action would be considered highly irregular and would constitute a conflict of interest. The Secretary-General shares the view of the Advisory Committee (A/51/7/Add.3, para. 15) that if the supplier roster were complete and comprehensive, there would be no need for requisitioners to

recommend suppliers. Thus there is an urgent need to expand the list of suppliers on the roster, which should have the widest possible geographical representation.

27. Performance evaluation of suppliers. In line with the request of the General Assembly (resolution 51/231, para. 15), a standard procedure for the preparation of performance evaluation reports on suppliers, in particular those with major contracts, has been drafted and will be finalized soon.

VI. DELEGATION OF AUTHORITY

28. As reported in the previous report to the General Assembly, the thresholds for the delegation of procurement authority under the terms of financial rules 110.17 and 110.19 for Headquarters and offices away from Headquarters, as well as for field missions and international criminal tribunals, were revised and implemented effective 15 August 1996 (A/C.5/51/9, paras. 10 and 11). After a review of the experience gained, and taking into account the uniformly favourable comments received from offices away from Headquarters, as well as from the Department of Peacekeeping Operations on behalf of the field missions, it was decided on 18 July 1997 that the procurement thresholds promulgated on 15 August 1996 should be continued in full force and effect, without lapse, until further notice, as indicated in annex IV.

VII. HEADQUARTERS COMMITTEE ON CONTRACTS AND ex post facto CASES

29. Details on the revised policy guidelines and procedures for the Headquarters Committee on Contracts which are being implemented were provided to the General Assembly in the previous report (A/C.5/51/9, paras. 30-35). The Headquarters Committee on Contracts has continued further to enhance its authority, to assert itself independently and to demand full compliance with regulations, rules and established procedures, as well as directives such as those concerning ex post facto and partial ex post facto cases. The performance of local committees on contracts is currently under review, bearing in mind the views of the Advisory Committee (A/51/7/Add.3, para. 18).

30. A comparative number of cases and the total value of the contract proposals reviewed by the Headquarters Committee on Contracts for the years 1994 to July 1997 are shown in the table below. Further details are provided in annexes V to X.

Year	Number of cases	Value (US$)
1994	1 185	1 378 861 841
1995	1 058	1 118 198 195
1996	553	528 000 975
1997[a]	241	195 492 058

[a] January to July.

31. The reduction in the number and dollar value of cases is attributed mainly to the revised thresholds for the delegation of procurement authority, as stated in paragraph 28 above. In addition, no new large operations have been mandated by the legislative bodies, and there has been a reduction in the size of several peacekeeping missions.

32. Pursuant to the request of the General Assembly (resolution 51/231, para. 5), the Procurement Division and the Field Administration and Logistics Division have been directed to expedite their efforts to develop a single format for the provision of data and a common reporting system for procurement undertaken in the field and at Headquarters under the responsibility of the Secretary-General. The establishment of a single format for the provision of data and a common reporting system for procurement should be ready by March 1998.

33. Details on the directive of the Assistant Secretary-General for Conference and Support Services, dated 11 April 1996, concerning ex post facto cases and actions taken thereon were provided in the previous report (A/C.5/51/9, paras. 36-41). Further progress has been achieved in reducing the number of such contracts. The number and dollar value of ex post facto and partial ex post facto cases for the years 1995 to July 1997 are given in the table below. Further details are provided in annex XI.

Year	Ex post facto	Partial ex post facto	Total	Amount (US$)
1995	204	296	500	566 674 742
1996	96	127	226	172 127 298
1997[a]	27	31	58	32 852 185

[a] January to July.

34. It should be noted that some of the ex post facto and partial ex post facto cases processed in 1997 still relate to cases initiated prior to 1996, owing to the start-up or liquidation of certain missions. Such cases have almost been cleared, and a further drop in the number of cases will be achieved during the latter part of 1997. It should be noted, however, that while all efforts are being made to reduce such cases to an absolute minimum, with full justification for each such case, as requested by the General Assembly (resolution 51/231, para. 29), ex post facto or partial ex post facto cases cannot be eliminated totally because of the nature of the operations concerned, particularly at the start of new operations and during the closing of missions, details of which were provided previously (A/C.5/51/9, para. 40).

35. Details of the efforts and progress made on systems contracts were provided in the previous report (A/C.5/51/9, paras. 12-17). Further efforts are being

made to expand the number of such contracts, as appropriate. It may be recalled that it was reported (para. 16) that the Procurement Division and the Field Administration and Logistics Division of the Department of Peacekeeping Operations were considering the possibility of establishing block charters and standby contracts for troop rotations. One such system contract exercise has already been concluded, involving 31 flights for 12 contingents covering a period of seven months. Another contract, for vehicles and spare parts, is in process.

VIII. ADVANCED PROCUREMENT PLANNING AND COORDINATION IN PROCUREMENT

36. The Secretary-General appreciates the recognition by the General Assembly of the efforts made to improve coordination within the procurement system (resolution 51/231), the details of which were included in the previous report (A/C.5/51/9, paras. 46-52). Further efforts are being made to strengthen coordination to an even greater extent in order to streamline the decision-making process in procurement.

37. There are several areas in which the Procurement Division coordinates its activities with other procurement offices within the United Nations system. The following are only a few examples:

(a) Coordination continues with the Inter-Agency Procurement Services Office on vehicle standardization, statistical reporting and announcements of procurement awards through the Office's home page on the Internet and Procurement Update;

(b) Training of procurement officers on various programmes organized by the United Nations Office for Project Services;

(c) Sharing of information with other members of the Inter-Agency Procurement Working Group, composed of heads of procurement, on systems contracts and on pooling of resources to establish such contracts for use by all concerned. In this connection, it is worth mentioning that the Procurement Division has established the largest number of systems contracts in the United Nations system;

(d) At Headquarters, the Procurement Division participates fully in the Working Group on Procurement of the Task Force on Common Services, referred to in paragraph 6 above, with participants from various Secretariat departments and offices concerned, as well as the United Nations Children's Fund, UNDP, the World Food Programme and the United Nations Office for Project Services;

(e) Consultations are in progress on establishing common criteria for supplier eligibility for registration and a supplier performance rating system;

(f) Consultations are also in progress on harmonizing a common registration system whereby suppliers, unlike under the current procedures, would submit one application to a central location or to any procurement office in the United Nations system and be registered centrally or individually with

all members of the Working Group. At present each procurement office has its own application form and eligibility criteria for suppliers to be registered;

(g) Weekly meetings continue to be held between representatives of the Procurement Division and the Field Administration and Logistics Division to plan and review peacekeeping requirements, in particular to set priorities and schedules and to resolve problems. Monthly meetings are also held by representatives of the Procurement Division, the Office of Legal Affairs, Field Administration and Logistics Division and the Facilities Management Service to review work plans and to establish target dates for completion of major contracts.

IX. CASES IN ARBITRATION

38. Pursuant to the request of the General Assembly (resolution 51/231, paras. 6 and 7), information on cases in arbitration in which the United Nations is or has been involved since 1995 - with the name of the claimant(s), nature of the case and amounts claimed - is provided in annex XII. Owing to the sensitive nature of some of the information and the requirement for confidentiality (arising under the arbitration rules of the United Nations Commission on International Trade Law), annex XII does not contain all the details that may be appropriate. However, the Secretariat stands ready to provide further information, as appropriate, to the Advisory Committee as well as during the informal consultations of the Fifth Committee.

X. HEADQUARTERS CATERING OPERATIONS AND THE GIFT CENTRE

39. The Secretary-General welcomes the contribution and recommendations contained in the report of the Office of Internal Oversight Services on Headquarters catering operations (A/51/802, annex) and would like to assure the General Assembly that they were fully taken into account in the preparation of the request for proposal from vendors. Under the new catering contract, signed on 29 August 1997, the catering operations at Headquarters are in full compliance with the recommendations made by the Office of Internal Oversight Services and endorsed by the Assembly (resolution 51/231, para. 38). Pursuant to the recommendation of the Assembly, action is being taken to ensure consistency in policy and practice with regard to catering operations at Headquarters and the United Nations Office at Geneva. Similarly, the United Nations Gift Centre is also outsourced under the new contract, signed on 30 April 1997. Both contracts ensure substantial savings for the Organization.

XI. AUDIT REPORTS

40. During the biennium 1996-1997, the Procurement Division responded to 71 reports submitted by the internal and external auditors and the Office of Internal Oversight Services. The reports and the recommendations contained therein have been most helpful in further improving the procedures and the internal control mechanism.

XII. CONCLUSIONS

41. As will be noted from the above, the recommendations, suggestions and concerns expressed by the General Assembly, the Advisory Committee, the Board of Auditors and the Office of Internal Oversight Services have, in most cases, either been addressed or are in an advanced stage of implementation. Undoubtedly, there is always room to improve and to expedite the implementation of the reform of the United Nations procurement procedures, which are mostly in place, except in certain areas that require further refinement and sharper definition, as called for by the Advisory Committee. The Secretary-General is satisfied with the considerable progress made with the reform procedures and directives in place as well as the structure and organization of the Procurement Division, which enhance necessary internal supervision, strengthen control mechanisms and provide appropriate lines of responsibility, authority and accountability.

42. The core of the staff in the Procurement Division is well-trained, hard-working and motivated to carry out the tasks entrusted to them, despite the heavy demands and time pressures. Coordination among the departments and offices concerned has also been further strengthened. The training of staff for procurement will be further intensified, and there will be full compliance with regulations, rules, established procedures and directives. Bearing in mind the reduction in the total volume of procurement, the available staff resources within the Division are adequate.

43. The Secretary-General reiterates, however, that the establishment of the post of Director of the Procurement Division, in order to provide the appropriate level of executive direction and management of the Division, remains critical to the success of the reforms. The General Assembly is requested to take decisive action on this request, as it has been postponed repeatedly far too long, much to the detriment of the effective functioning of the Division.

44. The Secretary-General reiterates his full commitment to the reform of the United Nations procurement system and to ensuring full compliance with regulations and rules as well as established procedures.

45. The Secretary-General reiterates also that the reform of the current procurement system, as urgent as it may be, cannot be brought about overnight, especially in view of the current United Nations regulations and rules, which are presently under review. While there is a great emphasis on timely procurement with the best value for the money, the current rules and regulations, the additional demands often imposed by oversight bodies and the budgetary constraints and unavailability of funds, particularly at the start of new operations, have often created serious difficulties in the procurement process.

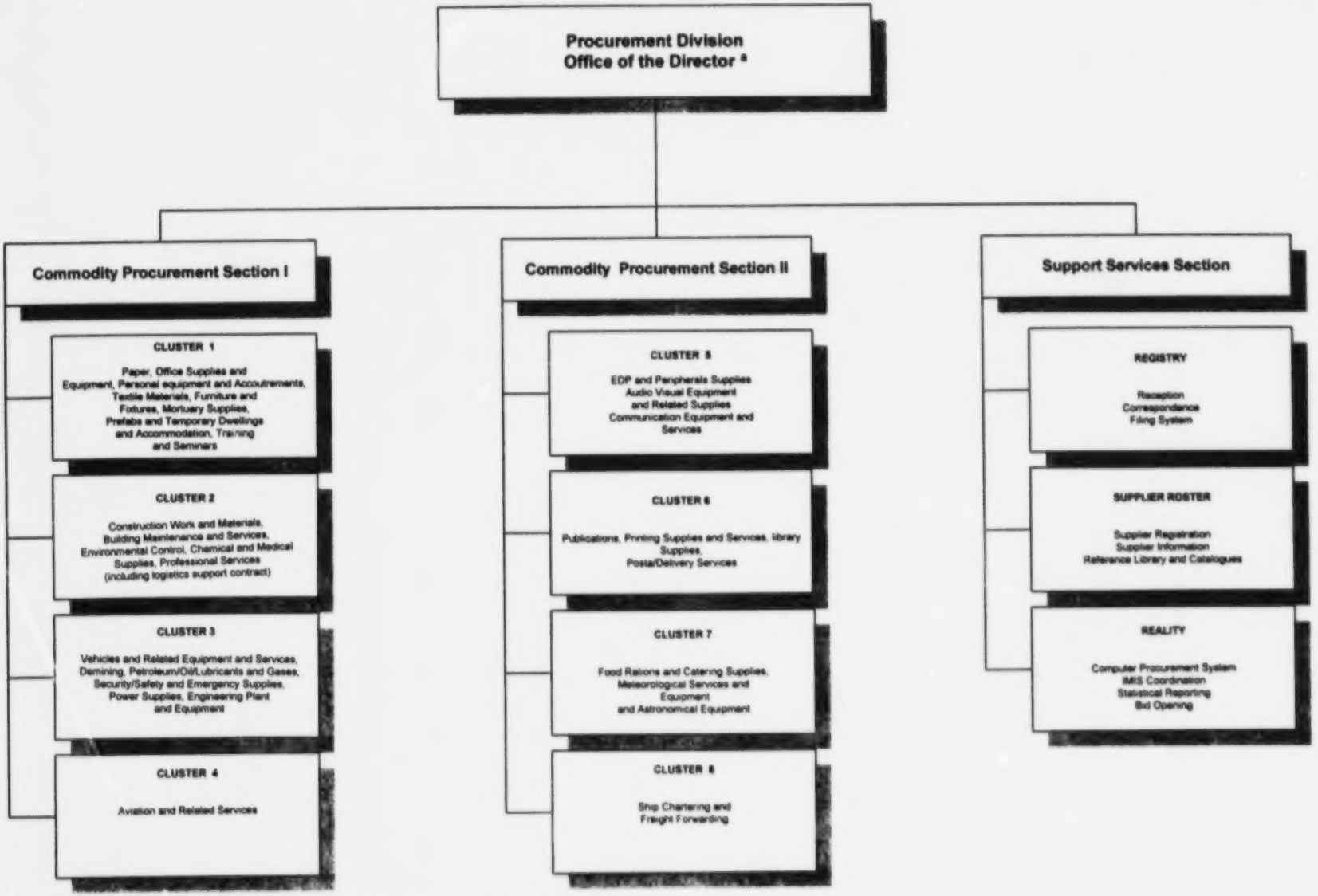
46. Accordingly, the relevant departments and offices have been directed to review urgently the financial rules and regulations as well as established procedures in order to propose the necessary amendments, with a view to responding to exigency requirements of peacekeeping and other emergency operations. They are also directed to enhance advance procurement planning and

to conduct a thorough review of the question of timely availability of funds, which has an effect on procurement.

47. Finally, the Secretary-General wishes to express his appreciation to the General Assembly, the Advisory Committee, the Board of Auditors and the Office of Internal Oversight Services, including the internal auditors, for their most valuable guidance, recommendations and suggestions towards the reform of the United Nations procurement system in order to establish an efficient, competitive, fair, transparent and responsive procurement process that ensures that goods and services, including those for field missions and in the field, are obtained as expeditiously and cost-effectively as possible.

ANNEX I

Organization of the Procurement Division


Procurement Division
Office of the Director [a]
Commodity Procurement Section I
CLUSTER 1
Paper, Office Supplies and Equipment, Personal equipment and Accoutrements, Textile Materials, Furniture and Fixtures, Mortuary Supplies, Prefabs and Temporary Dwellings and Accommodation, Training and Seminars
CLUSTER 2
Construction Work and Materials, Building Maintenance and Services, Environmental Control, Chemical and Medical Supplies, Professional Services (including logistics support contract)
CLUSTER 3
Vehicles and Related Equipment and Services, Demining, Petroleum/Oil/Lubricants and Gases, Security/Safety and Emergency Supplies, Power Supplies, Engineering Plant and Equipment
CLUSTER 4
Aviation and Related Services
Commodity Procurement Section II
CLUSTER 5
EDP and Peripherals Supplies Audio Visual Equipment and Related Supplies Communication Equipment and Services
CLUSTER 6
Publications, Printing Supplies and Services, library Supplies, Posta/Delivery Services
CLUSTER 7
Food Rations and Catering Supplies, Meteorological Services and Equipment and Astronomical Equipment
CLUSTER 8
Ship Chartering and Freight Forwarding
Support Services Section
REGISTRY
Reception Correspondence Filing System
SUPPLIER ROSTER
Supplier Registration Supplier Information Reference Library and Catalogues
REALITY
Computer Procurement System IMIS Coordination Statistical Reporting Bid Opening

[a] Subject to the approval of the General Assembly at its fifty-second session.

Annex II

TARGET DATES FOR WORK PLAN OF THE PROCUREMENT DIVISION

Revised procurement manual	To be issued during the first quarter of 1998
Preparation of an elaborated list of "exigency" situations	March 1998
Revised guidelines for the administration of letters of assist	March 1998
Standard procedures for performance evaluation reports on suppliers, in particular those with major contracts	December 1998
Development of a single format for the provision of data and a common reporting system for procurement undertaken in the field and at Headquarters under the responsibility of the Secretary-General	March 1998

Annex III

PROCUREMENT DIVISION SUPPLIERS BY COUNTRY OF ORIGIN

Country	Registered	Provisionally
Angola	1	
Argentina	2	2
Australia	33	6
Austria	14	6
Bahrain	1	
Belgium	24	10
Bangladesh	2	2
Botswana	1	
Brazil		1
Bulgaria	18	
Canada	62	26
Czech Republic	3	
China	8	10
Cyprus	6	
Denmark	53	7
Egypt	2	1
Ethiopia		1
Fiji	1	
Finland	31	1
France	84	20
Germany	81	12
Gambia	1	1
Ghana	1	
Greece	3	
Guatemala	1	
Hungary	1	
India	45	3
Indonesia	2	
Ireland	10	2
Israel	16	
Italy	46	8
Côte d'Ivoire		1
Japan	29	5
Jordan	1	2
Kenya	5	2
Lebanon	4	
Liechtenstein	1	
Liberia	1	
Luxembourg	1	1
Malaysia	7	
Malta	1	1
Mexico	2	
Monaco	1	
Mongolia		1
Morocco		1
Namibia		1
Netherlands	70	10
Nigeria	2	
New Zealand	4	1
Oman		1
Papua New Guinea		1
Philippines		1
Poland	3	2
Norway	29	10
Portugal	3	2
Republic of Korea	3	
Romania	1	2
Russian Federation	8	5
Saudi Arabia	9	1
Singapore	8	
Slovakia	1	
South Africa	18	6
Spain	18	60
Sri Lanka	2	
Slovenia	10	
Sweden	32	4
Switzerland	22	6
Thailand		1
Trinidad and Tobago	1	
Tunisia		2
Turkey	9	2
Ukraine	4	1
United Arab Emirates	4	2
United Kingdom of Great Britain and Northern Ireland	216	52
United Republic of Tanzania	1	1
United States of America	935	654
Uruguay	1	1
Zaire	1	
Zimbabwe	6	
Total	2 027	962

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Annex IV

SUMMARY OF APPROVALS FOR THE HEADQUARTERS COMMITTEE ON CONTRACTS AND LOCAL COMMITTEES ON CONTRACTS EFFECTIVE 15 AUGUST 1996[a]

(United States dollars)

Office	Bidding threshold	Local committees on contracts threshold	Headquarters Committee on Contracts threshold
Procurement Division at Headquarters	25 000	Not applicable	Over 200 000
Department of Peacekeeping Operations (letters of assist only)	–	–	Over 70 000
United Nations Office at Geneva, United Nations Office at Nairobi, United Nations Office at Vienna	25 000	Over 150,000	Not applicable
Regional commissions, international tribunals and UNIKOM, UNDOF, MINURSO, UNOMIG, UNOMIL, MINUGUA, UNTSO, UNFICYP, UNIFIL, MONUA, UNPF, UNMIBH, UNTAES, UNCRO, UNPREDEP, UNOHCI, UNTMIH[b]	20 000	50 000-200 000	Over 200 000
United Nations Logistics Base at Brindisi	20 000	–	Over 50 000[c]
United Nations Military Observer Group in India and Pakistan	20 000	40 000	Over 40 000[c]
United Nations Mission of Observers in Tajikistan, United Nations Special Mission to Afghanistan (Office of the Secretary-General in Afghanistan), Office of the United Nations in Burundi	10 000	–	Over 10 000[c]

[a] Procurement thresholds are in accordance with financial rules 110.17 (a) (i), (d) (i), (e) (i), (f) and 110.19 (a).

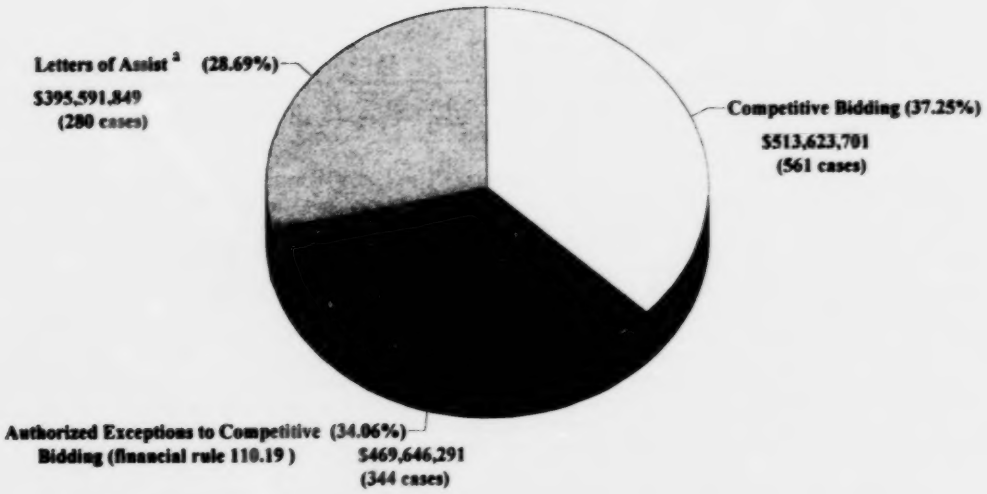
[b] UNIKOM, United Nations Iraq-Kuwait Observation Mission; UNDOF, United Nations Disengagement Observer Force; MINURSO, United Nations Mission for the Referendum in Western Sahara; UNOMIG, United Nations Observer Mission in Georgia; UNOMIL, United Nations Observer Mission in Liberia; MINUGUA, United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala (renamed, on 27 March 1997, in accordance with General Assembly resolution 51/198 B, the United Nations Verification Mission in Guatemala); UNTSO, United Nations Truce Supervision Organization; UNFICYP, United Nations Peacekeeping Force in Cyprus; UNIFIL, United Nations Interim Force in Lebanon; MONUA, United Nations Observer Mission in Angola; UNPF, United Nations Peace Forces; UNMIBH, United Nations Mission in Bosnia and Herzegovina; UNTAES, United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium; UNCRO, United Nations Confidence Restoration Operation in Croatia; UNPREDEP, United Nations Preventive Deployment Force; UNOHCI, United Nations Office of the Humanitarian Coordinator for Iraq; UNTMIH, United Nations Transition Mission in Haiti.

[c] Only cases over the $200,000 threshold are forwarded by the Procurement Division to the Headquarters Committee on Contracts.

ANNEX V

Value of cases recommended for approval of Headquarters Committee on Contracts by basis of award, 1994

$1,378,861,841
(1,185 cases)

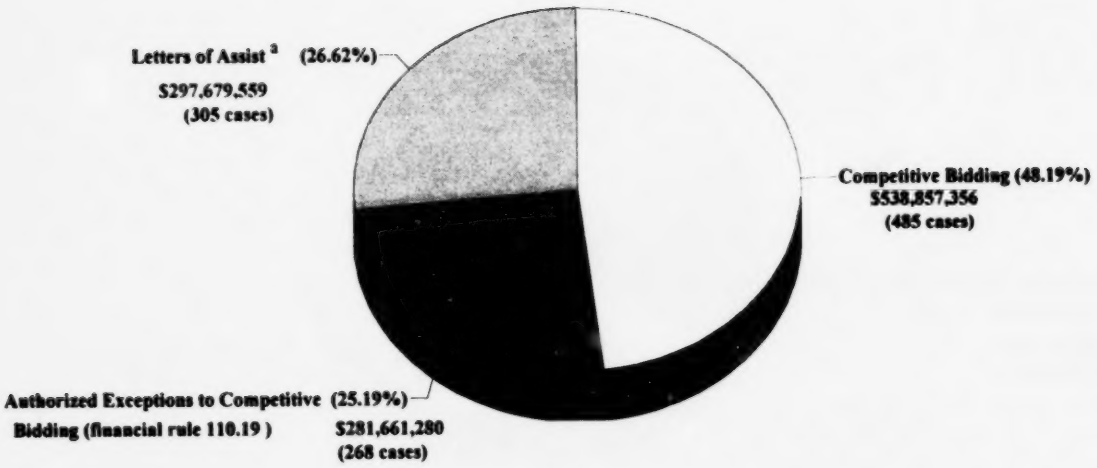


[a] Subjected to competitive pricing inquiries.

ANNEX VI

Value of cases recommended for approval of Headquarters Committee on Contracts by basis of award, 1995

$1,118,198,195
(1,058 cases)

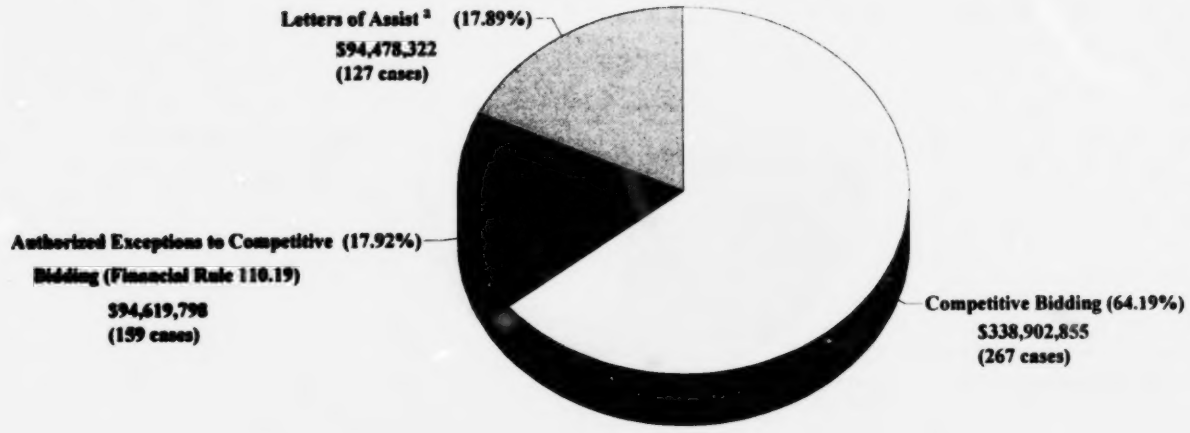


[a] Subjected to competitive pricing inquiries.

ANNEX VII

Value of cases recommended for approval of Headquarters Committee on Contracts by basis of award, 1996

$528,000,975
(553 cases)

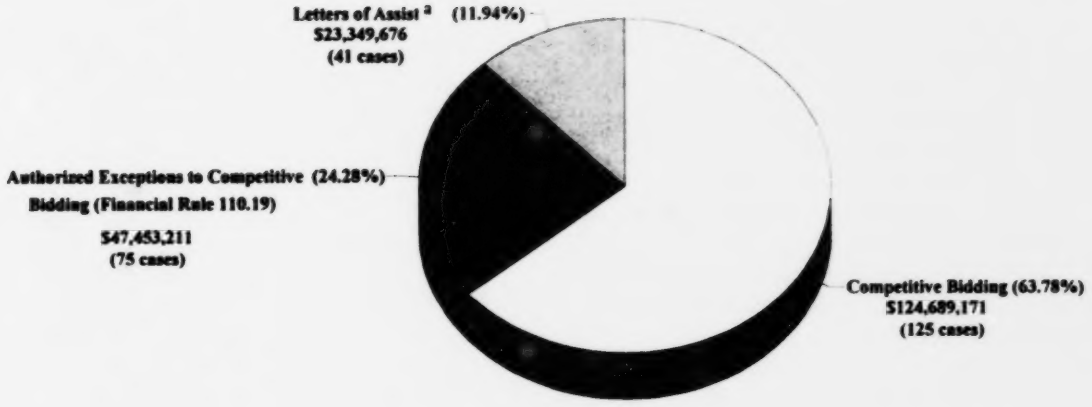


[a] Subjected to competitive pricing inquiries.

ANNEX VIII

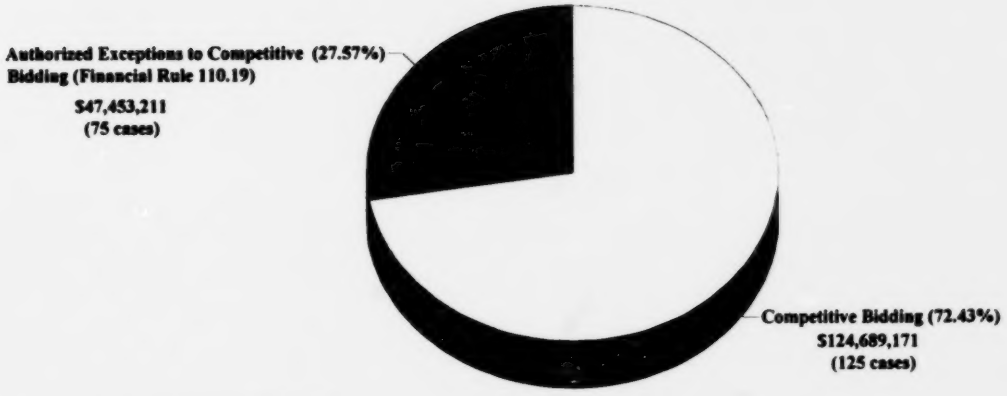
Value of cases recommended for approval of Headquarters Committee on Contracts by basis of Award, January to July 1997

$195,492,058
(241 cases)
All offices



Procurement Division cases only
(Excluding letters of assist)

$172,142,382
(200 cases)



[a] Subjected to competitive pricing inquiries.

Annex IX

TOP 25 COMMODITIES AND SERVICES PURCHASED BY THE PROCUREMENT DIVISION

(January-June 1997)

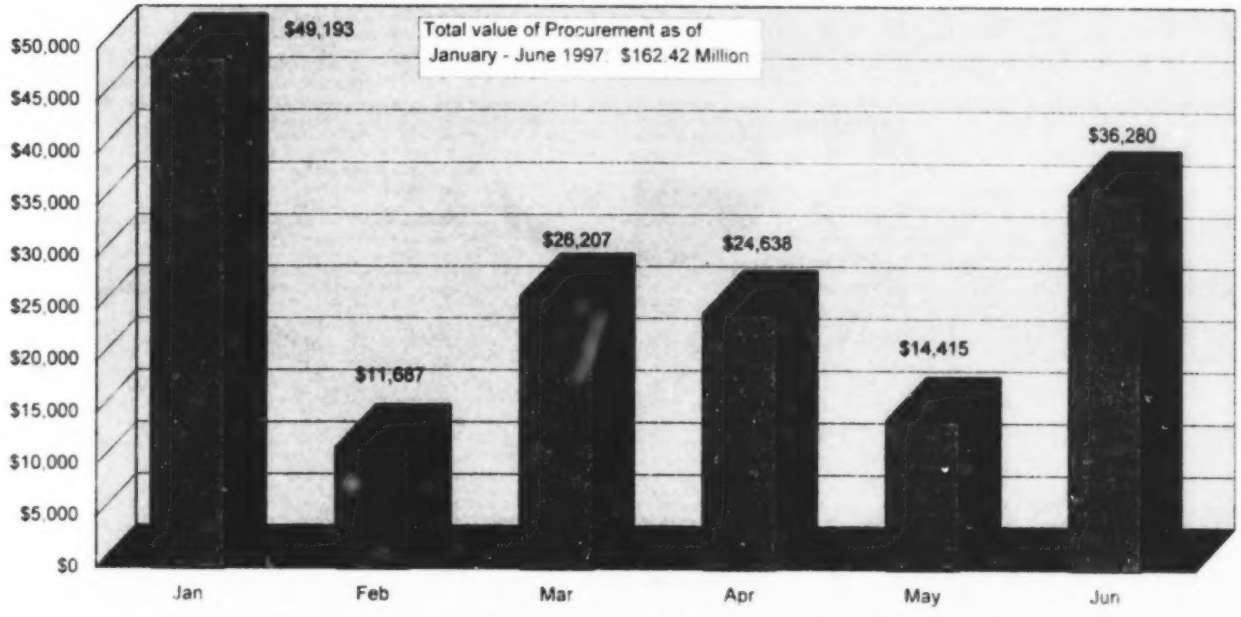
Commodity/service	US$
Architectural and construction services	38 060 213.28
Air transportation	27 360 049.75
Food rations and catering	21 491 888.54
Maintenance and repair	16 984 599.01
Trade and business services	12 268 521.13
Financial services and insurance	10 825 900.00
Motor vehicles, ancillary products and services	8 827 962.48
Legal services[a]	5 721 098.18
Office, accounting and computing machinery	4 944 820.80
Telecommunication equipment and services	4 724 589.38
Paper and paper products	2 093 231.65
Shipping and freight forwarding	1 819 274.27
Information technology	1 515 877.45
Audio-visual equipment	1 260 717.45
Furniture	975 723.57
Machinery, special purpose	732 456.87
Uniforms	484 889.03
Textile articles	416 328.81
Medical and pharmaceutical products and services	311 632.13
Manufacture of electrical machinery and precision instruments	289 624.15
Machinery, general purpose	266 349.86
Research on social services	228 891.20
Environment	184 457.00
Training	179 964.56
Fabricated metal products, except machinery and equipment	167 189.75

[a] Covers not only lawyers' services, but other categories of services such as inspections for oil and food for Iraq in the amount of $4 million.

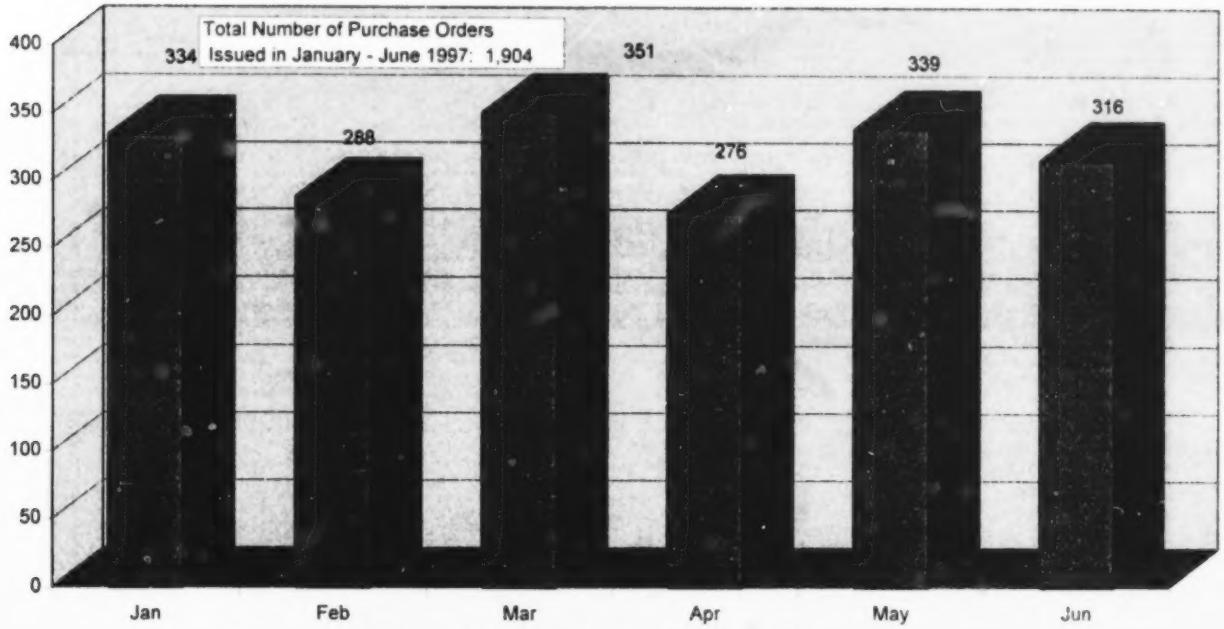
ANNEX X

Procurement volume and number of purchase orders issued by the Procurement Division

(January to June 1997)



Procurement Volume in Thousands of US$



Number of Purchase Orders Issued

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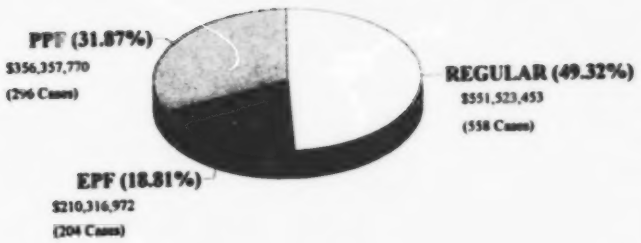
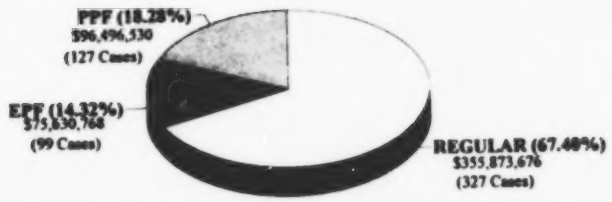
ANNEX XI

Ex post facto cases before the Headquarters Committee on Contracts

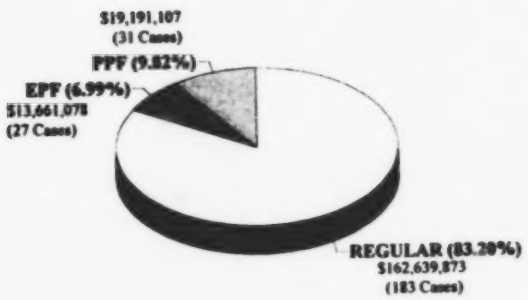
1995



1996



January - July 1997



PPF = Partial ex-post facto
EPF = Ex-post facto

Annex XII

SUMMARY OF ARBITRATION CLAIMS SINCE 1995

Claimant	Nature of claim	Total claim (US$)
Skylink Aviation, Inc.	Claims arising from or relating to aircraft charter agreements for various peacekeeping operations	30 million
Evergreen Helicopters, Inc.	Claims arising from or relating to aircraft charter agreements for the United Nations Operation in Somalia (UNOSOM) and the United Nations Angola Verification Mission (UNAVEM)	1.2 million (may be supplemented)
Commercial contracting establishment	Claims arising from contract for construction management and engineering services for the United Nations Transitional Authority in Cambodia (UNTAC)	590 000
Candy Logistics Ltd.[a]	Claims arising from or related to contract for freight forwarding services for UNOSOM	11.2 million
Peter Kenya[a]	Claims against UNDP arising from or relating to contract for architectural and construction supervision services	1.74 million

[a] Cases in which an arbitration agreement is to be negotiated but arbitration proceedings have not yet been commenced.